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Jay C. Keithley  
Vice President  
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United Telephone Companies

EX PARTE OR LATE FILED

**EX PARTE**

June 29, 1994

Mr. William F. Caton, Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 222  
Washington, D.C. 20036

RE: In the Matter of Implementation of Sections of the Cable Television Consumer  
Protection and Competition Act of 1992: Rate Regulation, MM Docket No. 93-215 ✓

Adoption of a Uniform Accounting System for Provision of Regulated Cable Service,  
CS Docket No. 94-28

Amendment of Parts 32 and 64 of the Commissions' Rules to account for Transactions  
between Carriers and Their Nonregulated Affiliates, CC Docket No. 93-251

Dear Mr. Caton:

Representatives of Sprint Corporation today met with Mr. Gerald P. Vaughan, Deputy  
Chief, and Mr. Kelly Cameron, both of the Common Carrier Bureau to discuss Sprint's  
position in the above referenced matters. Representing Sprint Corporation were Jay Keithley,  
Warren Hannah and Cheryl Tritt.

Sincerely,

Jay C. Keithley  
Vice President  
Law and External Affairs

Attachment

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***Sprint Corporation***

ON BEHALF OF THE

**UNITED AND CENTRAL TELEPHONE COMPANIES**

**JUNE 29, 1994**

**Presentation before the FCC**

**CC Docket No. 93-251**

**Changes to Affiliate Transaction Rules**

**NT REPRESENTATIVES:**

**Jay Keithley**

**Vice President**

**Law & External Affairs**

**Washington, DC**

**Warren Hannah**

**Director**

**Fed. Regulatory Relations**

**Washington, DC**

**Cheryl Tritt**

**Morrison & Foerster**




**Washington, DC**

## ***Sprint's* POSITION:**



- ☎ The proposed "Bright Line Test" is not appropriate where actual sales to non-affiliates establish market price to affiliates.**
- ☎ The proposed use of "estimated fair market value" for services is not appropriate because valuation of comparability, availability, and capability is completely subjective.**

**The proposed rules are counter to the intuitive value of centralization and economies of scale, and they penalize efficiency. They paint with too broad a brush.**

***Sprint North Supply*** is a competitive wholesale distributor of telecommunications equipment where prices are established by the market. The Sprint companies purchase equipment from North Supply at these market prices which are better than the prices they could otherwise obtain in the marketplace.


-  Approximately 60% of North Supply sales are to non-affiliates.
-  The Sprint companies benefit from North Supply's volume purchases.
-  North Supply's sales prices to non-affiliates set the prices to affiliates; the competitive market ensures that prices are reasonable.

***Sprint United Management Company*** provides centralized services, management, and control to the Sprint companies on a cost center basis. These centralized services are vital to the economies of operating small, geographically dispersed companies.

-  Determining the “estimated fair market value” of centralized services is entirely subjective and will unduly complicate the audit process.
-  Fully distributed costing is the only equitable method to distribute centralized costs to the beneficiaries of centralization.

The Commission's current rules, reporting and enforcement are working. If additional rules are needed for enforcement purposes, they should be reasonable and they should not penalize efficiency.

State Regulators add an additional layer of scrutiny and enforcement to affiliate transactions.

-  In state proceedings, North Supply's prices have never been found to be unreasonable, and the distribution of Sprint United Management Company's fully distributed cost to the Sprint companies is generally accepted.